



IN THE
Supreme Court of the United States
OCTOBER TERM, 1978

No. 78-848

R. G. BARRY CORPORATION,
Petitioner,

v.

MUSHROOM MAKERS, INC.,
Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION

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Opinions Below

The District Court's opinion is reported at 441 F.Supp. 1220 and the opinion of the Court of Appeals at 580 F. 2d 44.

Jurisdiction

The jurisdiction of this Court is invoked by petitioner under 28 U.S.C. § 1254(1).

Statement of the Case

Respondent (plaintiff below) brought an action for declaratory judgment to determine whether respondent had the right to use the trademark MUSHROOM for its misses'

sportswear. Petitioner, which had adopted MUSHROOMS for footwear, counterclaimed for an injunction and monetary relief because of alleged violations of the Lanham Act,¹ i.e., trademark infringement and false designation of origin, and unfair competition.

The District Court held that petitioner was entitled to continue using MUSHROOM for its misses' sportswear and dismissed respondent's counterclaim. Three months after trial and after it had completed its opinion, the District Court received and denied petitioner's motion to amend its pleading to assert a claim of dilution under the New York State antidilution statute (General Business Law § 268-d).

The United States Court of Appeals for the Second Circuit affirmed the decision of the District Court. Although it modified the finding of the District Court with respect to likelihood of confusion, it nevertheless confirmed the denial of injunctive relief based upon equitable considerations.²

ARGUMENT

I

The decision of the Court of Appeals does not dictate expanded use of pretrial discovery.

Petitioner contends that it based its trial preparation on the "controlling" decision of the United States Court of Appeals for the Second Circuit in *Avon Show Co., Inc. v. David Crystal, Inc.*, 279 F. 2d 607 (2d Cir. 1960), cert. denied, 364 U.S. 909 (1960). Petitioner actually engaged in extensive pretrial discovery, and the District Court reopened the discovery period twice to permit petitioner to compile what it claimed to be evidence of actual confusion.

¹ 15 U.S.C. § 1051 *et seq.*

² As will be discussed more fully below, respondent disagrees with the interpretations given to the opinions below by petitioner.

Nevertheless the District Court found a failure of proof on the issue of whether the use of MUSHROOM for misses' sportswear was likely to cause confusion with the use of MUSHROOMS for footwear.

However, the Court of Appeals in the instant action overturned the District Court's finding of no likelihood of confusion in view of its decision in *Avon*. Accordingly, petitioner's claim of prejudice is totally unfounded.

Since petitioner has relied largely on *Avon*, it knew that the senior user in that case was denied injunctive relief because it failed to show that either it was likely to expand into the junior user's related field or the junior user's continued use of its mark would tarnish the senior user's reputation. Yet petitioner failed to show that either event was likely to occur and it was on this basis (notwithstanding the existence of a likelihood of confusion as in *Avon*) that the Court of Appeals affirmed the denial of injunctive relief.

Petitioner refuses to recognize the equitable nature of a trademark infringement/unfair competition action. It ignores the equitable considerations of the court in *Avon*, which the Court of Appeals here followed by balancing the conflicting interests of the parties in the continued use of their respective marks.

II

Respondent's use of "MUSHROOM" was in good faith.

Petitioner again misinterprets the Court of Appeals' decision by stating that respondent's use of MUSHROOM was a basis for denying injunctive relief.³ Respondent's

³ Petitioner sought to overcome respondent's good faith adoption with the constructive notice provision of the Lanham Act

(footnote continued on following page)

good faith in adopting MUSHROOM was merely one factor considered by the Court.

The District Court's finding of good faith adoption involved credibility factors which the Court of Appeals chose quite properly not to disturb. The Court in *Avon* made the same determination with respect to respondent's good faith. Petitioner's conclusory accusations that respondent wilfully and deliberately infringed petitioner's trademark simply ignore the finding of the District Court, which was affirmed by the Court of Appeals, that respondent's use was in good faith.

III

The Court of Appeals was not bound to follow dictum of the New York State Court of Appeals.

Petitioner argues that the Court of Appeals ignored a holding by the New York State Court of Appeals in *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, 42 N.Y. 2d 538, 544-545, 399 N.Y.S. 2d 628, 632, 369 N.E. 2d 1162, 1165-1166 (1977), with respect to the New York anti-dilution statute (General Business Law § 368-d). This was not a holding, but dictum.

Petitioner moreover failed to consider the other bases set forth by the Court of Appeals for sustaining the District Court on this point. The Court was influenced by the fact that other federal and state courts in New York had already recognized that injury to a trade name, rather than damage from confusion among consumers, was the

(footnote continued from preceding page)

[15 U.S.C. § 1072]. But, the purpose of that provision in the statute was to do away with the defense of lack of knowledge. Here, respondent did not deny that it knew of petitioner's registration, although it had never seen or heard of any use of it, but only that petitioner did not have the legal right to enforce its registration against use of the mark on different and noncompeting goods.

basis of the dilution theory, so that the *Allied Maintenance* decision did not change New York law as claimed by petitioner. The Court of Appeals further found that the District Court had acted within its discretion in denying a motion to amend made three months after the close of trial and after the District Court had already "finalized" its opinion.

Conclusion

Each of the three points raised by petitioner in its petition is without merit. None of them raises any issue of public interest. This case is the usual trademark and unfair competition case where the courts, after considering all the equities involved, denied injunctive relief. Petitioner is dissatisfied with the decisions below, but it has not shown any basis for reversal. The petition for writ of certiorari should be denied.

Respectfully submitted,

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